TWO DECADES OF GOVERNANCE EXCELLENCE: BUILDING TRUST, SAFEGUARDING STABILITY

When Perbadanan Insurans Deposit Malaysia (PIDM) was established, our mission was clear – to protect depositors and contribute to the stability of our financial system. Central to this mission was the establishment of a governance framework capable of sustaining public confidence over time, which was fundamental for an institution entrusted with maintaining financial system stability alongside other financial safety net players.

Firm Foundations

Our enabling legislation, the Malaysia Deposit Insurance Corporation Act (PIDM Act),[1] provides a solid governance foundation. It defines our statutory objects, clarifies our role within the financial safety net, ensures operational independence, and sets strict eligibility requirements for Board members to prevent conflicts of interest.[2] Accountability is mandated through reporting to Parliament via the Minister of Finance and independent audits by the Auditor General.

The PIDM Act also established Board independence by separating the roles of the Board and Management. The Board, comprising fully non-executive members, provides direction and oversight, while Management, led by the CEO (who is not a Board member), is responsible for day-to-day operations. A Board Governance Policy further delineates Board and Management roles.[3] This separation strengthens independent oversight and objectivity, and is critical when decisions affect depositors and financial system stability, particularly during periods of heightened uncertainty. PIDM is one of the first institutions, and among the few, to review and update its Board Governance Policy annually, with the policy published on our website to promote transparency and accountability.

Board effectiveness is further supported through dedicated Board committees – Audit, Governance, and Human Capital and Remuneration Committees, and where required, the Succession Planning Committee,[4] – as well as annual Board evaluations, continuous education and orientation programmes.

Together, these elements ensure that we can act decisively when required, while remaining firmly anchored to the public interest we serve.

Transcending Legislative Requirements

Beyond the PIDM Act, we voluntarily adopted best practices in corporate governance drawn from both the public and private sectors at the outset – signaling that governance at PIDM would be proactive rather than reactive, designed to endure rather than merely comply.

To this end, one of the key responsibilities of the Governance Committee is to ensure that PIDM's governance practices are in line with best practices. This is achieved through regular benchmarking of our governance practices against local and international governance developments.

The principles of openness (transparency), integrity (including independence) and accountability[5] form the cornerstones of our governance framework, shaping policies, processes and organisational culture.

Transparency that Builds Trust

Transparency and accountability, which are vital for an institution whose effectiveness depends on public confidence, are demonstrated through our corporate reporting practices. Since inception, our corporate reporting has not only met required reporting standards but has consistently been aligned with best practices. We are among the few public sector bodies in Malaysia that publicly disclose both corporate plans and progress reports in our annual reports. Beyond meeting financial reporting standards, we also provide additional disclosures where relevant.

Over time, we have shifted from traditional performance and financial reporting to a more holistic and comprehensive approach through the adoption of the international Integrated Reporting Framework, which strengthens the connection between financial and non-financial information and aligns corporate plans with financial outcomes. The quality of our corporate reporting has been acknowledged through numerous awards[6] and is one of the reference points for public sector corporate reporting. We also publish many of our governance-related policies on our corporate website – something not commonly done.

Collectively, these practices aim to assure our stakeholders, including the public, that the institution responsible for protecting deposits and contributing to financial system stability, is itself subject to strong discipline and oversight.

1 *The Malaysia Deposit Insurance Corporation Act 2005 (as amended by the Malaysia Deposit Insurance Corporation Act 2011)*
2 *This includes disqualifying certain individuals from serving on PIDM's Board, namely, members of legislative assemblies; officers of member institutions; and office bearers of political parties*
3 *The Board Governance Policy contains 15 standards for the Board, with compliance reported on the policy annually*
4 *This committee oversees CEO succession planning*
5 *These principles are recommended by the International Federation of Accountants' "Corporate Governance in the Public Sector: A Governing Body Perspective" (2001) and drawn from the "Financial Aspects of Corporate Governance Committee" (Cadbury Report) (1992)*
6 *We received the National Annual Corporate Report Awards (NACRA) Certificate of Merit for our Annual Reports 2006, 2007 and 2013, and the Best Annual Report of Non-Listed Organisations for our Annual Reports 2008, 2009, 2010, 2011 and 2012. In 2017, we received the Australasian Reporting Awards silver award for disclosure of information for our Annual Report 2015*

Our openness extends to stakeholder engagements. Processes such as industry dialogues and consultation papers, put in place early on, ensure that significant stakeholder views are considered in developing or revising regulatory policies. These engagements foster trust and ensure that our guidelines and frameworks remain effective and relevant.

Risk Readiness and Resilience

Risk oversight forms a critical layer of our governance framework. Enterprise risk management and internal control frameworks and processes[7] ensure that risks are identified, assessed and addressed systematically while corporate compliance arrangements aim to ensure organisation-wide adherence to laws and key policies. Independent reporting by the Chief Risk Officer and Chief Internal Auditor to the Board reinforces objectivity, providing early visibility of emerging risks and strengthening organisational readiness.

This preparedness matters because financial system stability depends not only on the ability to respond to crises, but on the discipline to anticipate and mitigate risks before they escalate.

Independence with Integrity

Ethical conduct and integrity are woven into our daily operations and practice. Trust and confidence in PIDM as a regulator and public sector institution are anchored on its people demonstrating ethical behaviours and integrity in their daily conduct. Codes of business conduct and ethics, conflict-of-interest policies,[8] whistleblowing arrangements and procurement controls establish clear expectations of behaviour for Board members and employees alike.

All employees must declare their assets and financial obligations upon joining PIDM and annually thereafter. Board members must disclose interest in member institutions or their affiliates, as well as credit facilities or deposits with any member bank, above PIDM's coverage limit, annually. Key employees and Board members must also report interests or positions held by them or their connected persons in entities with which PIDM has business relationships. These measures help minimise conflicts of interest, reduce corruption risk, and ensure that decisions remain grounded in mandate, objectivity and public interest.

Behavioural and ethical considerations are also incorporated into performance and remuneration frameworks, reinforcing accountability and aligning incentives with our organisational values.

Operational independence is reinforced through mechanisms such as the Policy Against External Interference, which requires employees to report attempts by external parties to influence PIDM's operations and decision-making processes. Our Organisational Anti-Corruption Plan translates national integrity priorities into concrete organisational actions, strengthening resilience against governance and corruption risks.[9]

These measures are essential to maintaining confidence in an institution with system-wide responsibilities.

Governance that Grows

As financial services evolve in an increasingly digital and interconnected world, our governance framework continues to expand to encompass information management, cybersecurity and technology risk. This ensures that digital transformation enhances efficiency and accessibility without compromising trust, confidentiality or operational resilience.

The PIDM Act as well as our frameworks, policies and codes are also reviewed periodically to ensure their continued relevance and adequacy. Regular benchmarking provides validation that our governance approach remains aligned with recommended best practices. A 2024 external governance review covering the 2013 – 2023 period, concluded that PIDM's governance practices were aligned with recommended best practices in areas such as Board roles, composition, effectiveness, accountability, and ethical conduct.[10] In addition, the disclosures in PIDM's annual report[11] were found to be comparable with international and local regulators and the private sector, demonstrating transparency and accountability.

Steady Today, Stronger Tomorrow

Today, after two decades, we stand as an example of public sector governance. Our journey reflects an unwavering commitment to strong foundations, disciplined oversight and continuous enhancement. Governance enables us to provide structure amid complexity, credibility in action and calm in uncertainty.

Governance at PIDM is not something kept on the shelf. It is a living practice embedded throughout our organisation, underpinning public confidence, strengthening financial system stability and safeguarding our mandate, today and into the future.

[7] *Our enterprise risk management framework is benchmarked against the Committee of Sponsoring Organizations of the Treadway Commission (COSO)'s Enterprise Risk Management Framework. Our internal control framework is aligned with COSO's Internal Control Integrated Framework*
[8] *A breach of the conflict of interest codes constitutes an offence under the PIDM Act*
[9] *The Organisational Anti-Corruption Plan was developed in line with the National Anti-Corruption Strategy*
[10] *This was based on the various publications PIDM had referred to for its governance benchmarking over the same period*
[11] *This refers to the 2023 Annual Report, which was the latest available at the time the governance review was conducted*